

DG 00-046

**NORTHERN UTILITIES, INC.**

**Revenue Neutral Rate Redesign**

**Order Authorizing Recovery of Rate Case Expenses**

**O R D E R    N O.    23,691**

**April 30, 2001**

The New Hampshire Public Utilities Commission (Commission), by Order No. 23,674, issued April 5, 2001, in Docket DG 00-046, approved a Settlement Agreement addressing Northern Utilities, Inc.'s (Northern) revenue neutral rate redesign. The Settlement Agreement provided:

The Parties and Staff agree that Northern will recover the reasonable and prudent expenses pertaining to the rate redesign proceeding. The Parties and Staff agree that one-half of this amount will be recovered from all transportation and sales customers and that one-half of this amount will be recovered solely from C&I customers. The Parties and Staff agree that this amount will be recovered from customers, via a per therm charge as a surcharge through the Local Delivery Adjustment Clause (LDAC). The amount of this surcharge is not included with this Agreement, but will be provided as part of Northern's compliance filing in this docket.

Order No. 23,674 provided that:

We shall require Northern to file with the Commission by April 13, 2001 a summary of its rate case expenses broken down into major components and to provide copies of all invoices for costs which Northern seeks to recover. Northern shall also include in the filing the calculation of the per therm surcharge that would result from recovery scenarios from one to three years. The Commission will issue a subsequent order addressing the rate case expenses once the Staff has conducted a review and audit of the expenses and determined the rate impact of the surcharge.

On April 13, 2001, Northern submitted its rate case expenses for Staff's review and audit. Northern's total rate case expenses amounted to \$299,909.

On April 24, 2001, Commission Staff (Staff) filed a memorandum containing Staff's recommendation regarding Northern's rate case expenses. Staff stated that it had reviewed the invoices supporting the rate case expenses and found the expenses, except for the legal expenses and carrying costs, to be reasonable. Staff found the legal expenses totaling \$141,648 to be excessive. Staff stated that it had discussions with Northern regarding the legal expenses incurred for this docket and that Northern and Staff together recommend that the Commission authorize recovery of one-half of the legal expenses or \$70,824. This adjustment results in rate case expenses totaling \$229,086. Further, Staff stated that the Commission has not traditionally allowed recovery of carrying costs associated with rate case expenses and that carrying costs should not be included in the calculation of the surcharges.

Staff recommended, consistent with the Commission's approval of the Settlement Agreement, that the Commission approve a rate case expense surcharge of \$0.0020 per therm for Residential rate classes to be recovered in Northern's LDAC.

The \$0.0020 per therm surcharge ( $(\$229,086 * 50\%) / 57,638,690$  total therm throughput) would be recovered over a one-year period and would be applied to all sales and delivery customers with the exception of special contract customers. The \$0.0020 per therm surcharge equates to approximately \$2.50 for a typical Residential heating customer using 1,250 therms over one year. Additionally, the remaining one-half of the rate case expenses will be recovered from all Commercial and Industrial (C&I) customers, with the exception of special contract customers, through Northern's LDAC. This results in an additional \$0.0028 per therm surcharge ( $(\$229,086 * 50\%) / 40,566,150$  C&I therm throughput) for C&I customers. The C&I surcharge totals \$0.0048 per therm which would also be recovered over a one-year period.

We have reviewed Staff's recommendation and will approve recovery of \$229,086 in rate case expenses over the one-year recovery period recommended by Staff.

**Based upon the foregoing, it is hereby**

**ORDERED,** that Northern Utilities, Inc. is AUTHORIZED to recover \$229,086 in rate case expenses via a per therm surcharge through Northern's LDAC and that the surcharges are as follows: \$0.0020 per therm from Residential rate classes and \$0.0048 per therm from Commercial and Industrial rate

classes, both for a period of one year, effective with service rendered on or after May 1, 2001; and it is

**FURTHER ORDERED**, that Northern shall file a properly annotated tariff with the Commission within 14 days of the date of this order in accordance with N.H. Admin. Rules, Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirtieth day of April, 2001.

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Douglas L. Patch  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary